



**AGENDA**  
**RIO DELL CITY COUNCIL**  
**SPECIAL MEETING – 6:00 P.M.**  
**REGULAR MEETING – 6:30 P.M.**  
**TUESDAY, JANUARY 21, 2014**  
**CITY COUNCIL CHAMBERS**  
**675 WILDWOOD AVENUE, RIO DELL**

***WELCOME . . .** By your presence in the City Council Chambers, you are participating in the process of representative government. Copies of this agenda, staff reports and other material available to the City Council are available at the City Clerk's office in City Hall, 675 Wildwood Avenue. Your City Government welcomes your interest and hopes you will attend and participate in Rio Dell City Council meetings often.*

*In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Office of the City Clerk at (707) 764-3532. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to assure accessibility to this meeting.*

**THE TYPE OF COUNCIL BUSINESS IS IDENTIFIED IMMEDIATELY AFTER EACH TITLE IN BOLD CAPITAL LETTERS**

**A. CALL TO ORDER**

**B. ROLL CALL**

**C. SPECIAL MEETING MATTERS**

- 1) 2014/0121.01 - Appeal Hearing – Steven and Sharon Wolff – Related to CDBG Loan Advisory Committee Denial of Request for Loan Forgiveness  
**(ACTION)**

1

**D. PLEDGE OF ALLEGIANCE**

**E. CEREMONIAL MATTERS**

**F. PUBLIC PRESENTATIONS**

*This time is for persons who wish to address the Council on any matter not on this agenda and over which the Council has jurisdiction. As such, a dialogue with the Council or staff is not intended. Items requiring Council action not listed on this agenda may be placed on the next regular agenda for consideration if the Council directs, unless a finding is made by at least 2/3rds of the Councilmembers present that the item came up after the agenda was posted and is of an urgency nature requiring immediate action. Please limit comments to a maximum of 3 minutes.*

**G. CONSENT CALENDAR**

*The Consent Calendar adopting the printed recommended Council action will be enacted with one vote. The Mayor will first ask the staff, the public, and the Council members if there is anyone who wishes to address any matter on the Consent Calendar. The matters removed from the Consent Calendar will be considered individually in the next section, "SPECIAL CALL ITEMS".*

- 1) 2014/0121.02 - Approve Minutes of the January 7, 2014 Regular Meeting  
(ACTION) 54
- 2) 2014/0121.03 - Approve Pay Request No. 2 to Cal Electro in the amount of \$51,607.16 for the Wildwood Ave. Streetscape Improvement Project, direct staff to file the Notice of Completion, and authorize the City Manager to release 5% retention in the amount of \$33,173.34 35 days after filing of Notice of Completion (ACTION) 67
- 3) 2014/0121.04 - Approve Pay Request No. 22 to Wahlund Construction/Sequoia Construction Specialties in the amount of \$275,327.08, direct staff to file Notice of Completion and authorize staff to release the 5% retention in the amount of \$539,764.29 35 days after filing of the Notice of Completion (ACTION) 73
- 4) 2014/0121.05 - Approve loan from General Fund Reserves to the Water Operations Reserve Fund in the amount of \$30,000 to then be allocated from the Water Reserves to Water line item budget by City Council (ACTION) 86
- 5) 2014/0121.06 - Approve payment to Wahlund Construction/Sequoia Construction Specialties in the amount of \$6,281.50 (50% shared cost) for additional Paving required at the Wastewater Treatment Plant Facility (ACTION) 87
- 6) 2014/0121.07 - Approve Resolution No. 1216-2014 Appointing the Representative and Alternate to the Board of Directors of SCORE (Small Cities Organized Risk Effort) (ACTION) 98

#### H. SPECIAL PRESENTATIONS

- 1) 2014/0121.08 - Presentation by David Carter, PE, GHD, Inc. and Matthew Marshall, Executive Director of Redwood Coast Energy Authority - Grant funded opportunity for plug-in electric vehicle charging station installed at City Hall - Approve participation in Program and authorize staff to sign a letter of support (ACTION) 100
- 2) 2014/0121.09 - Presentation by Craig Olson, HDR Engineering - Close-out of the Wastewater Treatment Plant Upgrade and Disposal Project

#### I. SPECIAL CALL ITEMS/COMMUNITY AFFAIRS

- 1) "SPECIAL CALL ITEMS" from Consent Calendar
- 2) 2014/0121.10 - Upgrade- City Council Chambers Public Address System (ACTION) 105

2) 2014/0121.11 - Approve Bio-Solids Giveaway Program ( <b>ACTION</b> )	110
3) 2014/0121.12 - Declare (2) Public Works Trucks Surplus and Approve Purchase of (1) Used 2002 ¾ Ton GMC Diesel Pickup ( <b>ACTION</b> )	118
4) 2014/0121.13 - Approve appointment of one member of the City Council to the Wildwood Ave. Sculpture Committee and Community Development Director Kevin Caldwell ( <b>ACTION</b> )	125
J. ORDINANCES/SPECIAL RESOLUTIONS/PUBLIC HEARINGS	
3) 2014/0121.14 - Conduct second reading (by title only) and adopt Ordinance No. 308-2014 Establishing Environmentally Sensitive Habitat Area (ESHA) Regulations, Section 17.30.080 of the Rio Dell Municipal Code ( <b>ACTION</b> )	126
K. REPORTS/STAFF COMMUNICATIONS	
1. City Manager	
2. Chief of Police – Police Statistics for 2013 Calendar Year	137
3. Finance Director – Check Register for the Month of December 2013	153
4. Community Development Director	
L. COUNCIL REPORTS/COMMUNICATIONS	
M. ANNOUNCEMENT OF ITEMS TO BE DISCUSSED IN CLOSED SESSION AS FOLLOWS: <b>No Closed Session Items Scheduled</b>	
N. ADJOURNMENT	

*The next regular meeting will be on February 4, 2014  
at 6:30 p.m. in City Hall Council Chambers*

675 Wildwood Avenue  
Rio Dell, CA 95562



TO: Rio Dell City Council  
FROM: Jim Stretch City Manager  
DATE: January 21, 2014  
SUBJECT: Appeal of Steven and Sharon Wolff from CDBG Loan Advisory Committee Denial of Request for Loan Forgiveness

**IT IS RECOMMENDED THAT THE CITY COUNCIL:**

1. Hear the appeal of Steven and Sharon Wolff from the Rio Dell CDBG Loan Advisory Committee decision to deny their request for forgiveness of their \$54,000 CDBG loan, and
2. Based on the information and testimony provided in the appeal, either approve a motion to uphold the appeal, overturning the Committee's decision, or deny the appeal, affirming the Committee's decision not to forgive the loan.

**BACKGROUND AND DISCUSSION**

On December 2, 2013 the City of Rio Dell's Community Development Block (CDBG) Loan Advisory Committee (Committee) received a request from Steven & Sharon Wolff (attached) to forgive for their \$54,000 CDBG loan dating back to 2003, citing irregularities and illegalities in the loan process and claiming that the loan was a worthless debt.

The request was referred to the City Attorney who prepared a response dated December 18, 2013 (attached) directed to the Committee. In the response, each claim was addressed, ending in the advisory conclusion that, contrary to the Wolff's assertions, the loan was valid and there was no basis for it to be written off by the City.

On December 23, 2013 the Committee communicated its decision to Steven and Sharon Wolff which stated that, based on the City Attorney's review of their request and documents in the files, there was no basis for the City to forgive the loan. A copy of the privileged communication between the Committee and its Attorney was provided to the Wolff's for their information (attached).

On December 24, 2013 the City sent a letter to Steven and Sharon Wolff (attached) informing them that they had the right to appeal the Committee's decision to the Rio Dell City Council, which they did on December 26, 2013 (attached).

The December 26, 2013 letter was referred to the City Attorney who is expected to attend the January 21, 2014 meeting and hearing on this issue and will address the points raised.

The City Council is the body that receives appeals from residents that are in disagreement with the decision of the CDBG Loan Advisory Committee. Appellants Steve and Sharon Wolff will most likely be in attendance to make their presentation as to why the Committee's decision not to forgive their \$54,000 CDBG loan was in error.

Based on the additional information that the Committee has received from the Wolff's in their appeal, and assuming that no new issues are brought forward other than those stated in their two letters, the Committee sees no reason to recommend that the City Council over turn the Committee's decision. In other words, the Committee recommends that the City Council deny the appeal.

December 26, 2013

City of Rio Dell

Kevin Caldwell, Community Development Director

675 Wildwood Ave.

Rio Dell, CA 95562

Dear Mr. Caldwell:

Re. 3 Painter St. Rio Dell CA 95562

We received the letter dated December 18, 2013 written by City Attorney Russell Gans in response to our request for the city to acknowledge the wholly worthless debt (26 USC §166) currently on the city accounts for the First Time Homebuyer Program funding. We are not surprised that the city does not agree to clear their books of the unenforceable debt despite the obvious lack of documentation required to enforce the loan but we do want to address the substantial incorrect information in the letter.

The timeline set forth in the response letter by Gans misstates the actual events and the dates are critical to the legality of the documents.

- Sept. 19, 2003 Steve and Sharon Wolff sign mortgage documents at Fidelity National Title purchasing the residence at 3 Painter St. (see 9/19/03 Instructions to Closing Agent Pg. 1)
- The purchase agreement included \$40,000 from the City of Rio Dell (see 9/16/03 Buyer's Escrow Instructions Pg. 1)
- Sept. 23, 2003 Disbursement of mortgage funds (see 9/19/03 Instructions to Closing Agent Pg. 1)
- Sept. 25, 2003 Steve and Sharon Wolff sign Promissory Note (\$40,000), Loan Agreement, Owner Participation Agreement, Truth in Lending Disclosure (\$40,000), Deed of Trust with Assignment of Rents (copies are not included as the city has these on file).
- Oct. 2, 2003 RCAA begins to disburse funds for work that had already begun on the home (see Account Ledger Pg. 1 from RCAA file)
- Work continued on the home by Steve and Sharon Wolff with reimbursements being paid by RCAA (see Account Ledger Pg. 1 from RCAA file)
- Oct. 20, 2003 Rio Dell delivers (via USPS) a "Notice to Stop Work" backdated to Oct. 9, 2003. (see backdated 9/9/03 Stop Work Order) States permits were not issued and work could not resume until corrected. City Clerk Karen Dunham acknowledged to Sharon Wolff that a permit was not technically required until construction actually began (only the removal of waste had begun) and this was a "preemptive" stop work order because they knew one would be needed in the near future.

- All work was stopped on the residence while Steve and Sharon Wolff continued to pay rent at their current residence and began making mortgage payments on 3 Painter St. despite being a documented low-income qualifying family.
- Work was not allowed to be continued until Steve and Sharon Wolff agreed to allow contractor Joe Buccola to take over the work (contractor used extensively by RCAA). Work then resumed by Buccola even though no permits were issued (see Account Ledger Pg. 1 from RCAA file payment 10/23/03).
- Oct. 29, 2003 Sharon Wolff is called in to the RCAA office at 904 G St. to sign additional papers that were never done originally; including Promissory Note (\$14,000), Program Options for Housing Rehabilitation, Owner Participation Agreement, Notice of Advance Under Deed of Trust (\$14,000), Truth in Lending Disclosure (\$54,000) (copies are not included as the city has these on file).
- Oct. 29, 2003 Sharon Wolff was provided a copy of CDBG Homebuyer Program Guidelines for the first time.
- Oct. 31, 2003 Steve Wolff is called in to the RCAA office to sign papers ; including Program Options for Housing Rehabilitation, Owner Participation Agreement, Notice of Advance Under Deed of Trust (\$14,000), Truth in Lending Disclosure (\$54,000) (copies are not included as the city has these on file).

A Participant Statement of Understanding document, which is required by HUD prior to any agreement and certainly prior to any disbursement of funding, was never provided to or signed by Steve or Sharon Wolff.

Note-We have additional invoices (11/4/03-1/19/04) that were submitted by Joe Buccola for payment that are not posted on any of the account ledgers from RCAA that we are aware of; the invoices total \$17,431.06 just in the ones we have available to us (enclosed). There is a no record in the RCAA ledger of a payment for the electrical work (complete rewiring of the entire house) that was done by a third party; work was finished and inspected on 10/30/03 (see Electrical Service Inspection sticker).

There is no close-out documentation for the project that we know of.

It is clear by the documentation that the original loan agreement was signed on Sept. 19, 2003 as we stated in our letter of 12/2/13. It is curious that the loan file held by the city does not include any documentation of the actual purchase of the home or the original mortgage which included \$40,000 from the City of Rio Dell. The first Truth in Lending Disclosure statement was provided and signed on 9/25/03, six days later.

Federal Code §226.31(c)(1) requires the Truth in Lending Disclosure statement be provided at least three business days prior to consummation of a mortgage transaction. The courts have held that the Truth in Lending Act is a strict liability statute.

15 USC §1611 Criminal liability for willful and knowing violation (Truth in Lending Act). A government agency, such as the City of Rio Dell, is exempt from criminal penalties (§1612) however the cited statute demonstrates the seriousness of the willful violation to provide basic disclosure documents

prior to signing the initial mortgage documents that created the debt. The Rio Dell Loan Committee was responsible for making sure that all of the required documentation was signed and present in the loan portfolio prior to approval which it failed to do. The Loan Committee continued to release funding despite the clear lack of required loan documentation, HUD agreements, basic disclosure and permits.

The terms of the loan by the city were repeatedly misrepresented to Steve and Sharon Wolff verbally and no written documentation or disclosure was provided until six days after the mortgage documents were signed. The city loan was described repeatedly as being forgiven in whole after 10 years of occupancy; the actual terms discovered well after the initial mortgage agreement was signed changed the term to 30 years of occupancy with only the interest forgiven after that time.

On 9/25/03, Steve and Sharon Wolff met with RCAA employee Larry Miller who handed them some documents to sign that he portrayed as routine for the self-help component and there was no explanation of any details. The terms of the loan were substantially changed from what was promised and believed by the Wolff's at the time they signed the initial mortgage documents. The Wolff's quickly signed the documents without having seen them prior and having no time to review them. The Wolff's were already encumbered by the mortgage and were told these additional documents were needed to be signed in order to continue with the project. The Wolff's relied on the verbal assurances of the terms and were not provided time to review the documents that changed the terms drastically. The home rehabilitation project was underway and the loan documents were set aside. The additional documents signed by the Wolff's on 10/29/03 and 10/31/03 were signed under extreme duress with no time to review them before hand.

The 2004-2005 Humboldt County Grand Jury report (enclosed) noted that the terms of the First Time Home Buyers and Housing Rehabilitation Program contract states "Obligations of Grantee (the City) with Respect to Certain Third Party Relationships. The Grantee (the City) shall remain fully obligated under the provisions of this agreement notwithstanding its designation of any third party or parties for the undertaking of all or any part of the program with respect to which assistance is being provided under this agreement to the Grantee." The report further states that if RCAA and the City of Rio Dell had fulfilled their fiduciary responsibility then the home could never have been approved for the project due to extensive structural and safety defects that could not be addressed with the limited funds available. These facts were not known to the Wolff's until after a state HUD investigation into the project in 2004.

In order to receive the additional funds that were required to address basic health & safety defects in the home that the Wolff's were living in, an agreement was signed on 9/14/04 that included a general release of claims specifically regarding Rio Dell's administration of the program. It should be noted that the Wolff family lived in the home for nine months up to this point with no source of heat, no flooring, no walls upstairs and an overstressed support beam holding up the second story of the home. The agreement was required in order to resolve some of these long standing issues and the Wolff's were in no position, financially or emotionally, to continue to fight for resolution. The Wolff's have no interest in suing the city for damages related to their administration of the program. The issue at hand is strictly related to the validity of the loan itself with no damages being sought. The initial work done on the



house by the city mandated contractor, Joe Buccola, resulted in cracked rafters and a failing roof which will have to be repaired. The value of the home in its current condition does not allow for any financing as the first mortgage and the city loan total more than the value of the home and property. The city loan, which is a wholly worthless debt, must be resolved and cleared from the title in order to allow the possibility of refinancing in the future. Failure to make the required repairs in the future will only further degrade the value of the home.

The city will stand to benefit by clearing its account of the wholly worthless debt and taking any tax benefits possible from the write-off. It is clear from the documentation that the loan documents are irreparably harmed and unenforceable. It serves no purpose for either party to continue allowing the matter to go unresolved while the home deteriorates further. The Wolff family is currently involved in a Chapter 13 bankruptcy plan and will be in a position to consider refinancing the home after the conclusion of the repayment plan but this will only be possible with the resolution of the city loan that remains a cloud on the title currently.

Regards,

Steven Wolff

Sharon Wolff

3 Painter St.

Rio Dell, CA 95562

Cc Thomas Hjerpe, Attorney

enclosures

Loan Number: 021050801

Servicing Number: 001181057-9

Date: 09/19/03

## INSTRUCTIONS TO CLOSING AGENT

BORROWER: STEVEN L WOLFF and SHARON L WOLFF

DOCUMENT DATE: 09/19/03

DISBURSEMENT DATE: 09/23/03

BRANCH: San Ramon

PROPERTY ADDRESS: 3 PAINTER ST

RIO DELL, CA 95562-1319

COUNTY: Humboldt

### MONTHLY PAYMENT:

P & I: \$595.75

TAX: \$0.00

INS.: \$0.00

FLOOD: \$0.00

MISC: \$0.00

TOTAL: \$595.75

TO: FIDELITY NATIONAL TITLE  
404 H ST  
EUREKA, CA 95501  
GRETA WALDSMITH  
Phone: (707) 442-5785  
Fax: (707) 445-2656  
E-Mail: FNT@HUMBOLDT1.COM

TITLE CO: FIDELITY NATIONAL TITLE  
404 H ST  
EUREKA, CA 955011002  
CHRIS JOHNSON  
Phone: (707) 442-5785  
Fax: (707) 445-2656

CLOSING AGENT NO./: WOLFF

TITLE ORDER NO.: 224252

SALES PRICE: \$125,000.00

INTEREST RATE: 6.950%

FIRST PAYMENT DATE: November 01, 2003

LOAN AMOUNT: \$90,000.00

LOAN TERM: 360

LAST PAYMENT DATE: October 01, 2033

## TITLE INSURANCE REQUIREMENTS

ALTA POLICY\*\* must contain endorsements: ALTA 9, ALTA 8.1, CLTA 116

EAGLE TITLE POLICY \*\*All Inclusive/Comprehensive (If Applicable)  
with liability in the amount of \$ 90,000.00 on property described herein.

Date and Time of Title Policy must be exactly as reflected on the Deed of Trust/Mortgage/Security Deed.

\*\* Please issue ALTA Short Form Policy when available. For Second Mortgage Loans, Lender will accept CLTA or standard ALTA Policy in lieu of an Extended Coverage ALTA Policy.

LIABILITY SUBJECT ONLY TO: (Gen. & Spec. taxes) Fiscal Year; COUNTY/PARISH: ALL 2002/2003 Paid  
CITY: SCHOOL:  
CITY/SCHOOL: SPECIAL DISTRICT:  
TOWN/TOWNSHIP/BOROUGH/PLANTATION:  
VILLAGE: SURFACE WATER MANAGEMENT:

Funds may be used for account of the vestees or mortgagors, and you will record all instruments when you comply with the following:

1. Issue said form of Policy showing name of insured to read  
Option One Mortgage Corporation, a California Corporation, Its  
Successors and/or Assigns
2. Issue said form of Policy showing title vested as shown below.  
Title must be vested in individuals only.  
STEVEN L WOLFF AND SHARON L WOLFF, HUSBAND AND WIFE, AS JOINT TENANTS
3. Issue said form of Policy free from encumbrances except items  
1-4, 6  
of Preliminary Title Report or Title Commitment dated 07/16/03
4. Survey exception, if applicable, MUST be removed from the title policy. If survey is required to remove the survey exception and issue the title policy as requested, contact the Lender prior to disbursement of funds.



# Fidelity National Title Company

OF CALIFORNIA

404 H Street • Eureka, CA 95501

(707) 442-5785 • FAX (707) 445-2656

AMENDED

## BUYER'S ESCROW INSTRUCTIONS

Date: September 16, 2003

Escrow No.: 224252-GW

Escrow Officer: Greta Waldsmith

I/We hand you herewith:

- Executed loan documents (new loan)
- Balance of funds to close escrow in the form of wire transfer, certified check, cashier's check or teller's check payable to Fidelity National Title Company of California pursuant to the "Deposit of Funds", Paragraph 1 contained in the General Provisions attached hereto and made a part hereof
- Original, Executed Preliminary Change of Ownership report to be delivered to the County Recorder at the time of recordation of the Grant Deed
- Approved copy of Preliminary Report

You are authorized to deliver and/or record the above and close in accordance with the estimated closing statement contained herein (subject to adjustment) when you have received for my account the following:

- Grant Deed from Brett Allen Gendreau and Celeste A. Gendreau to Steven L. Wolff and Sharon L. Wolff

and when you can procure/issue a ALTA Residential Owner's Policy (6-1-87) coverage form Policy of Title Insurance from Fidelity National Title Insurance Company with a liability of \$130,000.00 on the property described in your Preliminary Report No. 00224252, dated 07/16/2003, a copy of which I/We have read and hereby approve.

### SHOWING TITLE VESTED IN:

Steven L. Wolff and Sharon L. Wolff, husband and wife

### FREE FROM ENCUMBRANCES EXCEPT:

1. Current general and special taxes for the fiscal year in which this escrow closes, and taxes for the ensuing year, if any, a lien not yet due and payable;
2. The lien of supplemental taxes, if any, assessed pursuant to the provisions of Chapter 3.5 (commencing with Section 75) of the Revenue and Taxation Code of the State of California;
3. Bonds and Assessments with no delinquent payments, if any;
4. Covenants, conditions restrictions, reservations, easements and rights of way now of record, if any;
5. Exceptions numbered 1 - 4 as shown in your preliminary report above referenced;
6. A First Deed of Trust, to record, securing a note for \$90,000.00 in favor of Option One Mortgage.
7. A Second Deed of Trust, to record, securing a note for \$40,000.00 in favor of City Of Rio Dell.

### SELLER/TRANSFEROR STATES THAT PROPERTY ADDRESS IS:

3 Painter Street, Rio Dell, CA 95562

### PRORATIONS:

Prorate as of Close of Escrow, on the basis of a 30 day month:

- Taxes

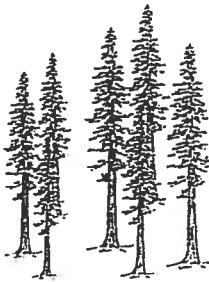
### ADDITIONAL INSTRUCTIONS:

1. The items indicated by "P.O.C." or "PAID" or "\*" are included at the direction of the Lender for disclosure purposes only. The Escrow Holder/Settlement Agent has no knowledge of these

Client Name	Total of Holds	Total Requests to Date:
CC:		\$2,628.66

	DATE	Payee	ADD/CHG	Amt of Hold	Amt. of Request	Running Bal.
1	7/14/2003					
1	10/2/2003				Paint-UP	\$2,750.00
1	10/2/2003	Sharon or Steven Wolff			\$181.48	\$2,568.52
2	10/8/2003	Eel River Disposal Co.			\$275.00	\$2,293.52
3	10/9/2003	Sharon or Steve Wolff			\$193.93	\$2,099.59
4	10/20/2003	B&B Portable Toilet Co.			\$24.52	\$2,075.07
5	10/20/2003	Valley Lumber &			\$499.10	\$1,575.97
6	10/23/2003	J.A. Buccola			Beam \$290.00	\$1,285.97
7	10/28/2003	Sharon or Steve Wolff			\$374.41	\$911.56
8	11/3/2003	Eel River Disposal Co.			\$275.00	\$636.56
9	11/17/2003	B&B Portable Toilet Co.			\$62.01	\$574.55
10	11/21/2003	Eel River Disposal Co.			\$86.68	\$487.87
11	12/10/2003	B&B Portable Toilet Co.			\$67.01	\$420.86
12	1/12/2004	J.A. Buccola			\$275.00	\$145.86
13	1/12/2004	B&B Portable Toilet Co.			\$24.52	\$121.34

Eel R. Disposal - 176  
B & B - 8177



## CITY OF RIO DELL

675 WILDWOOD AVENUE RIO DELL, CALIFORNIA 95562-1597

CITY HALL  
(707) 764-3532  
FAX 764-5480

PUBLIC WORKS DEPARTMENT  
(707) 764-5754

POLICE DEPARTMENT  
(707) 764-5641  
FAX 764-2569

October 9, 2003



Steven & Sharon Wolff  
3 Painter Street  
Rio Dell, CA 95562

### NOTICE TO STOP WORK!

Re: 3 Painter Street – APN 052-231-012

Dear Mr. & Mrs. Wolff:

The City has been notified that building construction is occurring at your residence at 3 Painter Street. There is not, however, any record of issuance of a Building Permit authorizing the remodel or renovation of your home.

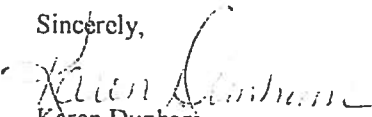
As you know, Rio Dell City Ordinance requires that a Building Permit be obtained prior to the commencement of any work to construct, alter, enlarge, repair or demolish any building or structure in Rio Dell (Section 106.1, Uniform Building Code). Failure to comply with this may result in double permit fees.

The requirements for building permits have been established in accordance with State Law to insure the protection of the public health and safety for yourself as well as future owners and occupants.

Pursuant to Section 107.5 of the Uniform Building Code, **YOU ARE HEREBY REQUESTED TO STOP WORK ON SAID CONSTRUCTION PROJECT** until a Building Permit has been obtained and inspection of any work completed to date has been done by the Building Inspector.

Should you have any questions regarding this letter, please contact our office at 764-3532.

Sincerely,

  
Karen Dunham  
Building Permit Technician

*Received by mail  
after  
10-20-03*

# J.A. BUCCOLA CONSTRUCTION

P.O. BOX 1367 • FERNDALE, CA • [707] 7869478 • FAX [707] 7869478

## INVOICE

MR. AND MRS. WOLFF  
3 PAINTER STREET  
RIO DELL, CA  
RE: REMODEL WORK

11/4/03

COMPLETE THE FOLLOWING ITEMS OF CONTRACT DATED 10/27/03

### PLUMBING ITEMS

ITEM 1.

\$ 650.00

ITEM 3.

\$ 672.00

ITEM 5.

\$ 175.00

ITEM 6.

\$ 220.00

### CARPENTRY ITEMS

ITEM 1.

\$ 150.00

ITEM 2.

\$ 220.00

ITEM 3.

\$ 280.00

### ELECTRICAL

ITEMS 1-4

\$ 3300.00

TOTAL NOW DUE

\$ 5667.00

THANK YOU,

  
JOSEPH BUCCOLA

ACCEPTED

OWNER, \_\_\_\_\_

DATE, \_\_\_\_\_

# J.A. BUCCOLA CONSTRUCTION

P.O. BOX 1367 • FERNDALE, CA • [707] 7869478 • FAX [707] 7869478

## INVOICE

MR AND MRS. WOLFF  
3 PAINTER STREET  
RIO DELL, CA  
RCAA  
C/O LARRY MILLER  
RE: REMODEL WORK

11/19/03

COMPLETE THE FOLLOWING ITEMS OF CONTRACT DATED 10/27/03

### PLUMBING

ITEM 2

ITEM 4

### CARPENTRY

ITEM 4,5,6,7,8 AND 9

LABOR AND MATERIAL

\$ 5,564.00

THANK YOU,

  
JOSEPH BUCCOLA

# J.A. BUCCOLA CONSTRUCTION

P.O. BOX 1367 • FERNDALE, CA • [707] 7869478 • FAX [707] 7869478

## INVOICE

MR. MRS WOLFF  
3 PAINTER STREET  
RIO DELL, CA  
RCAA  
C/O LARRY MILLER

12/4/03

ADD WORK ORDER:

INSTALL KITCHEN CABINETS COMPLETE.

LABOR AND MATERIAL

\$ 2,016.00

CONTRACTOR

  
JOSEPH BUCCOLA

DATE

12/4/03

OWNER

SHARON WOLFF

DATE



# J. A. BUCCOLA CONSTRUCTION

P.O. BOX 1367 • FERNDALE, CA • [707] 7869478 • FAX [707] 7869478

## INVOICE

MR. AND MRS. WOLFF  
3 PAINTER STREET  
RIO DELL, CA  
RCAA  
C/O LARRY MILLER

12/19/03

1. INSTALL COUNTER TOPS.
2. INSTALL KITCHEN SINK AND FAUCET.
3. INSTALL HOOD FAN.

TOTAL JOB COMPLETE

TOTAL DUE \$ 453.00  
HOLD BACK ALSO DUE.

CONTRACTOR, Joseph Buccola DATE 12/21/03  
JOSEPH BUCCOLA

OWNER, \_\_\_\_\_ DATE \_\_\_\_\_

# J. A. BUCCOLA CONSTRUCTION

P.O. BOX 1367 • FERNDALE, CA • [707] 7869478 • FAX [707] 7869478

## INVOICE

RCAA  
C/O LARRY MILLER  
WOLFF PROJECT  
3 PAINTER STREET  
RIO DELL, CA

1/19/04

INSTALL A VAPOR BARRIER AND SIDING TO HOUSE ON 1/16/04 ONE DAY ONLY.

MATERIAL	\$ 83.60
	\$1108.43
LABOR	\$ 162.01
	\$ 500.00
TOTAL NOW DUE	<u>\$1854.04</u>

THANK YOU,

  
JOSEPH BUCCOLA

**APPROVED**  
**CITY OF RIO DELL**  
**ELECTRIC SERVICE**

Permit No. \_\_\_\_\_

Date \_\_\_\_\_

By \_\_\_\_\_

**BUILDING DEPT.**

**Finding 2:** County Counsel reviews contracts for legality but not accountability or oversight responsibility.

**Recommendation 2:** County Counsel should ensure that each county contract include provisions for a specific county department to be accountable in a measurable way and include a provision for a specific department to have oversight responsibility for the contract.

**Finding 3:** The Board of Supervisors failed to assume timely responsibility for animal control services, thereby creating a situation which made it necessary to enter into a non-negotiable contract that did not assure best value for public dollars.

**Recommendation 3:** The County must assure that county departments adequately track contract expirations, so that a competitive bid process or at least negotiations can be initiated in time to insure cost-effective services without a break.

### **Grand Jury Report #2005-CD-01 An Investigation into the First Time Home Buyer and Housing Rehabilitation Programs in the City of Rio Dell**

#### **Executive Summary**

The Grand Jury finds that the First Time Home Buyer and Housing Rehabilitation Programs are not being adequately monitored by the City of Rio Dell.

In July 2002, the city entered into a contract with state and federal agencies to establish a revolving loan fund of \$500,000 to be loaned to low-income families to purchase a first home. The funds were also available for home rehabilitation loans. The loans are to be repaid to make the funds available for others. Although the contract states specific responsibilities for all parties, the City failed to meet the contractual responsibilities.

The City contracted with Redwood Community Action Agency to administer the funds and manage the projects for a fee. The City Council authorized three First Time Home Buyer loans, one a combination of both the First Time Home Buyer and Housing Rehabilitation programs.

Problems with this combination project became apparent very soon. Alarming structural and safety issues were ignored in favor of superficial cosmetic repairs. An investigation by the Grand Jury revealed that the program was not being monitored. For example, termite and structural reports were not being appropriately analyzed and corrective action was not taken. Serious health and safety issues were not addressed. Construction was done without an approved set of plans or a permit. The contract specifically requires both. While it is understandable that the small city finds it necessary to contract for the services of a project manager, it is essential for the city to maintain supervision of this third party.

The Grand Jury recommends that the City of Rio Dell meet its oversight responsibilities as well as establish and implement procedures which will assure that health and safety issues take precedence in all home purchases and rehabilitation projects using public funds.

#### **Who Shall Respond:**

Pursuant to California Penal Code Section 933 and 933.05, responses to the Findings and Recommendations of Grand Jury Report #2005-CD-01 shall be provided as follows:

- Rio Dell City Council shall respond to Findings and Recommendations 1, 2, 3, and 4
- Rio Dell City Manager shall respond to Findings and Recommendations 1, 2, 3, and 4

#### **Report**

In response to a citizen complaint, the 2004-2005 Grand Jury conducted an investigation into the First Time Home Buyer/Rehabilitation Programs specifically in Rio Dell. The problems the Grand Jury found in Rio Dell could occur in First Time Home Buyer/Rehabilitation Programs similarly administered

throughout Humboldt County.

The City of Rio Dell signed a contract with the state Department of Housing and Community Development and the federal Department of Housing and Urban Development. This agreement was in force from July 15, 2002, until March 31, 2005. The City Manager recently announced the city's application for a new contract with these agencies.

The contract provided for a revolving loan fund in the amount of \$500,000. The funds were to be loaned to low-income families to permit them to purchase and rehabilitate homes for themselves. The program could benefit both the families and communities involved.

Rio Dell is small, and most city employees serve in a number of capacities. The city hired Redwood Community Action Agency (RCAA), an outside non-profit agency, to administer the program. From then on, the City of Rio Dell allowed work to be done without plans or building permits, did not require timely inspections, failed to monitor progress of the project, and dispersed funds with virtually no oversight, approving without adequate review whatever the RCAA project manager proposed. Unfortunately, as a representative of RCAA later admitted, RCAA did not have sufficient experience to perform the tasks required.

RCAA assigned a long-time employee, a Housing Programs Manager, as project manager. This individual had managed the two previous First Time Home Buyer projects, as well as several previous Housing Rehabilitation projects done in Rio Dell. A representative of RCAA later pointed out that their Housing Programs Manager had never supervised a project combining both programs. Everyone involved underestimated the complexity of this combined project.

The project manager approved the house for the combined program and helped facilitate the purchase, indicating that the problems of the building would be corrected under the Housing Rehabilitation program. The buyer occupied the home as planned during the rehabilitation.

A termite inspection was done on July 22, 2003. The project manager did two work write-ups. The first, done on July 24, 2003, was for the buyer. The project manager sent the second to the Office of Historic Preservation, a division of Department of Parks and Recreation, state of California, on September 29, 2003, for approval of the rehabilitation of the historic dwelling. The write-ups do not mention the extensive termite and dry-rot repair recommended by the termite report. The City of Rio Dell ignored this important inspection, which directly relates to health and safety issues.

Cosmetic issues were the focus of both write-ups. Both include work on siding, paint, windows, doors, wiring, floor coverings, and replacing the water heater, as well as restoring a functioning bathroom and kitchen. In the Historic Preservation write-up, installation of a heating system was included for the first time.

Other than the 2003 termite inspection, no structural inspection was ordered until August of 2004. The structural inspection revealed that many of the problems in the house were long-standing: overstressed beams, a failing post and pier foundation within the perimeter foundation, dry rot, and recurring water damage. The house had actually been moved once in its seventy-year history. Had an adequate investigation been done prior to the beginning of the project, the house would never have been accepted for the program. According to a report dated September 21, 2004, from the state CDBG (Community Development Block Grants) Program of the Community Development Section of the Department of Housing and Community Development of the State of California, "...if RCAA staff had done all their due diligence at the beginning of the project, then it could not have been approved by the city loan committee."

Increasingly aware of health and safety issues which were not being addressed, the home buyers agitated for further action. At their insistence, an inspection and investigation was done by two inspectors from the federal Department of Housing and Urban Development (HUD) on September 16 and 17, 2004.

As required by HUD's investigation, the City of Rio Dell was directed to advance up to \$50,000 as a grant to the home buyers above the amount loaned. These funds were designated to clear the problems in the lead-based paint report, clear the problems in the termite report, replace existing floor coverings, repair the roof, install vents, install a sump pump with surface drain line, finish or repair the waste vent, and install a forced air heating system. The grant also included the cost of an independent project manager, all permits required by Humboldt County rather than Rio Dell, and relocation costs for the home-buying family to vacate the house for thirty days during major repair work. This situation would not have arisen had the City of Rio Dell required and analyzed adequate inspections prior to approving the loan.

While this action resolved problems for the home buyer, these funds were taken from the revolving loan fund as a grant. These funds will not be paid back; therefore, the funds will not be available for others in the community. The funds available through these state and federally-funded programs can make a tremendous difference to low-income families in Humboldt County. They need to be administered judiciously.

The Grand Jury investigation determined that the City of Rio Dell did not exercise due diligence in the oversight of the First Time Home Buyers and Housing Rehabilitation programs. Such oversight is required by the contract: "Obligations of Grantee (the City) With Respect to Certain Third Party Relationships The Grantee (the City) shall remain fully obligated under the provisions of this agreement notwithstanding its designation of any third party or parties for the undertaking of all or any part of the program with respect to which assistance is being provided under this agreement to the Grantee."

#### **Findings and Recommendations**

**Finding 1:** The City of Rio Dell failed to exercise due diligence in the oversight of RCAA in its role as project manager of the First Time Home Buyers/Housing Rehabilitation programs.

**Recommendation 1:** The Grand Jury recommends that the City Council, the City Manager, and city employees establish and implement procedures to insure that pertinent inspections, work write-ups, contracts, permits, and invoices are reviewed and verified.

**Finding 2:** Project invoices were paid when no permit had been issued.

**Recommendation 2:** The Grand Jury recommends that a system of checks and balances be instituted which insures that no payments are made unless and until a permit has been issued.

**Finding 3:** The City of Rio Dell frequently does not respond appropriately to complaints from citizens involved in programs which should be overseen by its staff and officials.

**Recommendation 3:** The Grand Jury recommends that the City of Rio Dell develop and implement a standardized citizen complaint form and procedures for appropriate response.

**Finding 4:** The City of Rio Dell did not periodically review the project or maintain files of the work in progress in the city offices as required by contract.

**Recommendation 4:** The Grand Jury recommends that the City Council, the City Manager, and appropriate staff periodically review these projects and maintain proper records as required by the contract. If it is necessary to hire an outside agency to administer project, a representative of that agency should report regularly to the City Council and the City Manager. Oversight of these projects must be a priority.

675 Wildwood Avenue  
Rio Dell, CA 95562  
(707) 764-3532



December 24, 2013

Steven & Sharon Wolff  
3 Painter Street  
Rio Dell, CA. 95562



Subject: CDBG Loan Forgiveness

Dear Mr. & Mrs. Wolff:

I wanted to let you know that you may appeal the Loan Committee's decision to not forgive your loan to the City Council. The appeal must be in writing and include your reason for the appeal. The next scheduled City Council meeting is January 7, 2014. We would need to have received your appeal on or before January 2, 2014 in order to schedule it for the meeting. If you would like the Council to consider an appeal at their January 21, 2014 meeting, we will need to have received your appeal on or before January 16, 2014.

If you have any questions or need additional information, please feel free to contact me at (707) 764-3532.

Sincerely,

A handwritten signature in black ink that reads "Kevin Caldwell".

Kevin Caldwell  
Community Development Director

Copy:  
Jim Stretch, Rio Dell City Manager  
City Attorney, Russ Gans  
City Council  
CDBG Loan File  
X-File



675 Wildwood Avenue  
Rio Dell, CA 95562  
(707) 764-3532



December 23, 2013

Steven & Sharon Wolff  
3 Painter Street  
Rio Dell, CA. 95562



Subject: CDBG Loan Forgiveness

Dear Mr. & Mrs. Wolff:

We heard back from the City Attorney regarding your December 2, 2013 request to have the City forgive your CDBG loans. A copy of his letter to the Loan Advisory Committee is enclosed. Based on the City Attorney's review of your claims and information in our files, there is no basis for the City to forgive your loan.

If you have any questions or need additional information, please feel free to contact me at (707) 764-3532.

Sincerely,

Kevin Caldwell  
Community Development Director

Enclosures

Copy:  
Jim Stretch, Rio Dell City Manager  
City Attorney, Russ Gans  
City Council  
CDBG Loan File  
X-File



CLIFFORD B. MITCHELL (1927—2010)  
PAUL A. BRISSE  
NANCY K. DELANEY  
JOHN M. VRIEZE  
WILLIAM F. MITCHELL  
RUSSELL S. GANS  
NICHOLAS R. KLOPPFEL  
\*\*\*\*\*  
VICTOR M. FERRO, of Counsel

**MITCHELL, BRISSE, DELANEY & VRIEZE, LLP**

ATTORNEYS AT LAW  
814 SEVENTH STREET  
EUREKA, CALIFORNIA 95501-1114  
[www.mitchelllawfirm.com](http://www.mitchelllawfirm.com)

TELEPHONE (707) 443-5643  
FACSIMILE (707) 444-9586  
E-MAIL: [general@mitchelllawfirm.com](mailto:general@mitchelllawfirm.com)  
  
P.O. DRAWER 1008  
EUREKA, CA 95502  
\*\*\*\*\*  
EMERY F. MITCHELL (1896 - 1991)  
WALTER J. CARTER (1949 - 1993)  
R.C. DEDEKAM (1929—2011)

December 18, 2013

CDBG Loan Advisory Committee  
City of Rio Dell  
675 Wildwood Avenue  
Rio Dell, CA 95562

Re; Request for Loan Forgiveness

Dear Loan Committee Members:

As requested, this letter responds to issues raised in the correspondence from Steve and Sharon Wolff to the City of Rio Dell dated December 2, 2013. Our office has reviewed the documents which are currently in our possession regarding the loans and base this reply on those records.

A review of the various documents and correspondence in the file indicates that a \$40,000.00 purchase money loan was issued to the Wolffs for the purchase price of the home located on Painter Street. This was memorialized by a Deed of Trust in the amount of \$40,000, which was recorded at the time the Wolffs closed escrow on the home on September 30, 2003. A copy of the Deed of Trust is enclosed for your reference. An additional \$14,000 loan was issued as a "Property Rehabilitation" Loan for improvements on the residence. This amount was funded after a contract was signed with a licensed contractor for the improvements and was memorialized by a Notice of Advance Under Deed of Trust, recorded on November 3, 2003. A copy of the Notice of Advance Under Deed of Trust is enclosed.

There appears to be multiple inaccuracies contained in the "facts" set forth in the Wolffs' December 2, 2013, letter. Those inaccuracies, with the correct facts, are recited below:

1. The Wolffs state that the original loan closing date was September 19, 2003. The Deed of Trust for the \$40,000 portion of the loan was signed by the Wolffs on

September 25, 2003, and was recorded on September 30, 2003. The loan closing date was **September 30, 2003**, not September 19, 2003.

2. The Wolffs claim there were no loan agreements provided at the time of closing. A Loan Agreement for the \$40,000 portion of the loan was signed on September 25, 2003. A separate Loan Agreement for the \$14,000 was also signed on September 25, 2003. Copies of both loan agreements are enclosed.

3. The Wolffs claim that no "Truth in Lending" disclosures were provided at or prior to closing. A Truth in Lending Disclosure for the \$40,000 loan was signed by the Wolffs on September 25, 2003 (the same date that they signed the Loan Agreement, Promissory Note and Deed of Trust for the \$40,000.) A second Truth in Lending Disclosure for the full \$54,000 was signed on October 29, 2003 by Sharon Wolff and on October 31, 2003 by Steve Wolff (the same date the Notice of Advance Under Deed of Trust for the \$14,000 was signed). Copies of both Truth in Lending Disclosures are enclosed.

4. The Wolffs claim that "some of the loan documents were produced after the fact and signed on September 24, 2003 which did not allow the required three business days prior to consummation of the mortgage debt specified in the referenced code." A review of the enclosed documents reveals that nothing was produced "after the fact". As stated above, the Truth in Lending Disclosure for the \$40,000 was signed on September 25, 2003. The Deed of Trust for the \$40,000 was also signed on September 25, 2003. The Deed of Trust was recorded on September 30, 2003, which is more than 3 days after signing the loan documents. Likewise, the Truth in Lending Disclosure and Notice of Advance Under Deed of Trust memorializing the additional \$14,000 for the improvement component of the loan were both signed on October 29, 2003, by Mrs. Wolff and October 31, 2003 by Mr. Wolff. The Notice of Advance Under Deed of Trust was recorded on November 3, 2003, which is 3 days after signing the loan documents.

5. The Wolffs claim that they were told that the loan would be forgiven in its entirety after 10 years provided they lived in the home as their primary residence. The loan documents the Wolffs signed clearly state that the loan is deferred for 30 years. The loan becomes immediately due and payable if they no longer reside in the home as their primary residence, if they transfer title to the home, or at the end of the 30 year period. The interest accrues at a rate of 3 percent per year for 20 years, at which point the interest

stops on principal and 10% of the accrued interest is forgiven each year for 10 years. All accrued interest is forgiven at the conclusion of the 30 year term. The principal is **not** forgiven under the terms of the loan.

Contrary to the assertions contained in the Wolffs' December 2, 2013, correspondence, the loan appears to be valid and there is no basis for the loan to be written off by the City. As noted by the Wolffs in their letter, they have previously filed complaints regarding these loans and related matters with the Grand Jury and the Housing and Community Development, which investigated those complaints. To our knowledge, at no time have any of these investigations resulted in the debt being found invalid and unenforceable.

Additionally, the Wolffs insinuate in their letter that they may initiate litigation against the City if the City doesn't write off their loan. However, the Wolffs are barred from bringing an action against the City relating to the loans. The Wolffs signed a comprehensive General Release of all Claims on September 17, 2004, releasing the City of Rio Dell "from all claims and causes of action in any way related to or arising out of the City's administration of the First Time Homebuyer's Program." A copy of the General Release of All Claims is enclosed for your review.

Very truly yours,

MITCHELL, BRISSO, DELANEY & VRIEZE, LLP



Russell S. Gans

RSG/jg

Enclosure

Cc: Kevin Caldwell, City of Rio Dell

# HOMEBUYER ASSISTANCE PROGRAM

## City of Rio Dell

### LOAN AGREEMENT (Deferred Payment)

Loan No. RDFHB-2

This Agreement is entered into this 24 th day of September, 2003, by and between the City of Rio Dell, a general law municipal corporation, in the State of California, hereinafter ("City"), and Steven L. Wolff and Sharon L. Wolff, hereinafter ("Borrower"), who is/are the buyers of the residential dwelling property located at # 3 Painter Street, Rio Dell, California ("the Property").

This Agreement is made for the purpose of assisting Borrower to purchase the Property with funds provided by the City under its Homebuyer Assistance Program.

Therefore, the City and Borrower agree as follows:

1. **Purpose of the Loan.** The Loan shall be used to pay a portion of the acquisition costs for an eligible property as mortgage subsidy, to reduce the monthly payment for principal, interest, taxes and insurance to an affordable level of household income.

2. **Loan Conditions.** The City agrees to loan to the Borrower the amount of Forty thousand dollars (\$ 40,000) to be used solely for the Purposes of this Loan.

The total loan amount shall be a Deferred Payment Loan (the "Loan"), subject to the following conditions:

- a. The Loan shall be accruing three percent (3%) interest annually.
- b. Repayment of the Deferred Loan principal and interest shall be deferred for thirty (30) years (360 months) from the first day of the first month after execution of the Loan Documents by the original Borrower, so long as the original Borrower, or a co-borrower as evidenced by Joint Tenancy, approved by City, maintains continuous residence on the Property. Starting at year twenty (20) the City will forgive ten percent (10%) of the accrued interest and continue to do so annually until year thirty (30) when only the original Loan principle will remain. The City may demand payment in full of the Loan principal on the "Repayment Date", which is defined for purposes of this Loan as the

first day of the 361st month from the date of the execution of the Loan Documents by the original Borrower, at which time all sums are due and payable.

The original Borrower on the Loan with the City can request the City to defer the City's demand for repayment of the Loan if the Borrower is experiencing severe financial difficulties. The deferral may be granted, at the sole discretion of the City and shall be based on such conditions and documentation as the City believes is necessary under the particular financial circumstances of the individual Borrower. The specific length of the deferral shall also be at the sole discretion of the City based on the financial circumstances of the original Borrower.

The City may at any time, at its sole discretion, convert the Loan into a grant notwithstanding that the conditions of continuous residence prescribed have not been fulfilled.

The Borrower may, with permission of the City, and with no prepayment penalty, make payments to the City for the purpose of diminishing the Loan principal.

Without the written consent of the City, this Agreement is not assignable by the Borrower either in whole or in part. Any subsequent qualified purchaser must sign a new Loan Agreement with City. City's permission and agreement is necessary in order to allow the assumption of the loan by an Eligible Purchaser, at City's sole discretion.

3. Occupancy Requirements and Assumption of the Loan. Transfer of ownership of the Property to anyone other than an Eligible Purchaser approved by the City or cessation of residence on the Property shall constitute default, and the entire principal, interest, and any penalty on the date of default will become immediately due and payable. Failure of the City to formally declare or act upon such default shall not constitute a waiver. Demand, protest and notice of demand and protest are hereby waived.

A Proposed Purchaser who meets the following requirements shall be an Eligible Purchaser and may, upon approval by the City, assume the Loan:

a. Each Proposed Purchaser shall certify that he or she will occupy the residence on the Property as the Proposed Purchaser's principal residence throughout the term of ownership and will execute the same Loan documents as the original Borrower.

b. The combined maximum gross income for all household members of the Proposed Purchaser shall not exceed eighty percent (80%) of the median yearly income adjusted for family size in Humboldt County ("Median Income"), as published by the United States Department of Housing and Urban Development ("HUD") from time to time. In the event such income determination is no longer published, or has not been updated for a

period of at least eighteen (18) months, the City may use or develop such other reasonable method as it may choose in order to determine the income for families at eighty percent (80%) of the median yearly income in Humboldt County adjusted for family size.

c. The Proposed Purchaser shall be approved by the First Lender or be approved for a first mortgage such that some or all of the second mortgage is necessary for the unit to be affordable to the Proposed Purchaser. The Proposed Purchaser will be underwritten for the new City loan in the same basic manor as the original purchaser with the same documentation and disclosures required.

4. **Security.** At the time of loan closing, the Borrower shall deliver to the City or its agent the following documents:

a. A duly executed and legally binding Promissory Note for the loan amount stated. Such Promissory Note shall be payable to, and in a form approved by, the City.

b. A duly executed, legally binding and recordable Deed of Trust on the Property as security for the repayment of the Loan. Such security shall give the City the best available lien over the Property to protect the City's interests under this Agreement, shall be in a form approved by the City and shall require the Borrower to maintain the Property in a good state of repair, to insure the Property, and to pay all taxes levied on the Property.

5. **Loan Closing.** The date of Loan closing shall be the date upon which the lien of the deed of trust is recorded (the "Loan Closing Date").

6. **Termination for Default.** If the Borrower fails to perform the covenants herein contained and in the manner herein provided, the City may terminate this Agreement by written notice to the Borrower.

If the City terminates this Agreement before the Loan Closing Date, the City shall be relieved of any obligation, which it may have hereunder.

If the City terminates this Agreement after the Loan Closing Date, the Borrower shall immediately become liable for repayment to the City or its designee to the outstanding principal at the date of termination.

Interest at the rate of ten percent (10%) per annum shall be due and payable on the outstanding balance (including principal and accrued interest) from the date of the occurrence of any event of default until the loan is paid in full unless payment of interest at such rate would be contrary to applicable law, in which event interest shall be at the highest rate permissible under

applicable law. Interest charged under this Paragraph 6 shall be due and payable upon written demand by City.

7. **Termination by Either Party for Convenience.** Prior to incurring any expenditures, either party may terminate this Agreement by giving 15 days prior written notice to the other.

If either party terminates this Agreement before the Loan Closing Date, both parties shall be relieved of all obligations hereunder.

If either party terminates this Agreement after the Loan Closing Date, the Borrower shall immediately repay to the City, or its designee, any funds expended as of the date of termination.

8. **Reconveyance.** When the Loan is paid in full, the City will execute a Reconveyance. The Reconveyance will be recorded on behalf of the Borrower at the City's expense.

9. **Insurance.** The Borrower shall maintain for the term of the Loan, fire and general liability insurance sufficient to replace the dwelling and all other structures on the Property at their full replacement value as of the date of any covered insurance loss. The City shall be designated as loss payee for the amount of the loan or a prorata portion of the overall coverage based on full replacement value of the improvements vis a vis all lenders as the case may be. A statement of loss payee shall be forwarded to the City and included in the Borrower's file.

a. If the Borrower cannot provide proof of satisfactory insurance as required, the Loan will become due and payable at the sole option and discretion of the City, or the City may, upon written notice to the Borrower, purchase said insurance and add the cost of the premiums to the principal balance of the Loan.

b. In areas designated by HUD as 100 year floodplains, the Borrower is required to maintain flood insurance in an amount sufficient to replace the dwelling and all other structures on the Property at their full replacement value as of the date of any covered insurance loss. This flood policy must also designate the City as loss payee.

10. **Property Taxes.** The Borrower shall maintain current payment of property taxes. Any delinquency in payment of property taxes is a default under this loan.

11. **Property Standards.** The Borrower shall maintain the Property in compliance with building codes and standards including zoning compliance, most recently adopted by the City. If upon inspection or observation, the City determines that the Borrower is not maintaining the property standards outlined in the Agreement and or illegal construction has taken place or local code enforcement items exists on the Property, then the Loan principle,

interest, and any penalty therewith shall be due and payable. This Property standards condition of default shall be for the full term of the Loan and incorporated in the Promissory Note as such.

Consistent with the City's commitment to fair housing, applicants and borrowers will not be discriminated against on the basis of race, color, ancestry, religion, national origin, sex, marital status, or physical handicap.

12. Term of Agreement. This Agreement shall be effective upon the date of its execution by the City and shall continue in force until the occurrence of any one or more of the following:

- a. Repayment of the Loan in full;
- b. Assumption of the Loan as provided herein;
- c. Termination for cause as otherwise provided herein.

13. General Terms.

- a. In the performance of this Agreement, neither Borrower nor City shall discriminate against any provider, or potential provider, on the basis of race, color, religion, ancestry, sex, age, national origin, physical handicap or any other arbitrary factor.
- b. Borrower agrees to indemnify, defend (including, but not limited to, attorney fees and court costs) and save harmless the City, its officers, agents, and employees, from any and all claims and losses accruing or resulting to Borrower by any and all providers in connection with the performance of this Agreement, and from any and all claims and losses accruing or resulting to any person, firm, or corporation who may be injured or damaged by Borrower, or otherwise, in the performance of this Agreement.
- c. In the performance of this Agreement, Borrower, and any agents and employees of Borrower, shall act in an independent capacity and not as officers or employees or agents of the City.
- d. Borrower shall maintain the property pursuant to the State Housing Law and any applicable local ordinances or regulations and shall prevent and/or rectify any waste or deterioration of the property. Borrower shall comply with all requirements of Federal, State and local laws and ordinances pertaining to the rehabilitation of the property and shall obtain all necessary permits and approvals as required for lawful construction and completion of the project.



e. Borrower shall promptly comply with all requirements or conditions of this Agreement relating to notices, extensions, and other events required to be reported or requested.

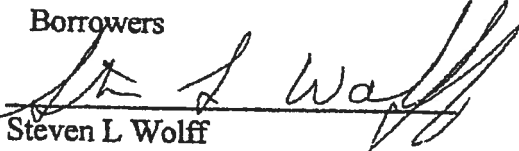
f. Without the written consent of City, this Agreement is not assignable or transferable by Borrower either in whole or in part.

g. Time is of the essence in this Agreement.

h. No alteration or variation of the terms of this Agreement shall be valid unless made in writing and signed by all parties hereto. No oral understanding or agreement not incorporated in writing herein shall be binding on any of the parties hereto.

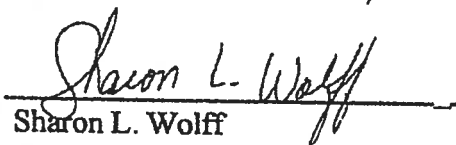
SIGNED AND ENTERED INTO:

Borrowers

  
Steven L. Wolff

Date:

9-25-03

  
Sharon L. Wolff

9-25-03

RCAA Program Manager

\_\_\_\_\_  
Larry Miller

\_\_\_\_\_

C 09/1

**TRUTH IN LENDING DISCLOSURE**

Creditor: City of Rio Dell  
FTHB Loan Program

Date: September 24, 2003  
Loan No: RD FTHB-2

**ANNUAL  
PERCENTAGE**  
The maximum cost  
of your credit  
as a yearly rate.

**3.0%**

**FINANCE  
CHARGE**  
The maximum dollar  
amount the credit  
will cost you each year.

**\$1,200\***

**AMOUNT  
FINANCED**  
The amount of  
credit provided  
to you or on your  
behalf.

**\$40,000**

\*[Amount will accrue each year for 20 years, then interest stops on principal, and 10% of accrued interest is forgiven each year for 10 years, with all accrued interest forgiven by 360th month (30 years)]

Your payment schedule will be:

UNTIL THE FIRST MORTGAGE IS SATISFIED, NO PAYMENTS ARE REQUIRED ON THIS LOAN UNLESS YOU SELL, TRANSFER OR CONVEY PART OR ALL OF YOUR INTEREST IN THE PROPERTY OR YOU FAIL TO OCCUPY THE PROPERTY AS YOUR PRINCIPAL RESIDENCE OR BREACH ANY OTHER CONDITION OF YOUR AGREEMENTS WITH THE CITY OF RIO DELL.

**OWNER OCCUPANCY:** THIS LOAN WILL BE IMMEDIATELY DUE AND PAYABLE UNLESS YOU REMAIN THE OWNER OCCUPANT OF THE PROPERTY SECURING THE LOAN DURING THE TERM OF THE LOAN.

**LATE CHARGE:** If you fail to repay this loan when due, you will be charged interest at the rate of 10% per year until completion of repayment.

**PREPAYMENT:** If you pay off early, you will not have to pay a penalty. Prepayment of this loan may not be of benefit to you.

**SECURITY:** You are giving a security interest in the property at


#3 Painter Street, Rio Dell CA 95562

**INSURANCE:** You may obtain property insurance from anyone who is acceptable to the City of Rio Dell.

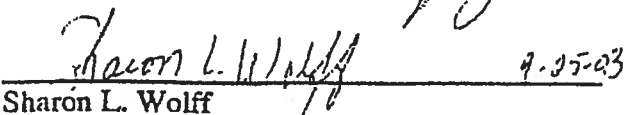
**ASSUMPTION:** Someone buying your home may assume the remainder of the mortgage on the original terms if the buyer (1) is eligible under State Law, (2) is approved by the City of Rio Dell prior to sale of the property and (3) agrees to enter into a new Loan Agreement with the City of Rio Dell.

See your contract documents for any additional information about non-payment, default, any required repayment in full before the scheduled date, **loan forgiveness** and any prepayment charges.

**ACKNOWLEDGEMENT:** I (we) acknowledge receipt of this disclosure.

  
Steven L. Wolff

Date

  
Sharon L. Wolff

Date

**2003-38138-8**

Recorded — Official Records  
Humboldt County, California  
Carolyn Crnich, Recorder

Recorded by Fidelity National

Exempt from payment of fees

Clerk: MM Total: 0.00  
Sep 30, 2003 at 15:59

**WHEN RECORDED PLEASE MAIL TO:**

City Clerk  
City of Rio Dell  
675 Wildwood Ave.  
Rio Dell, California 95562

No fee for recording (Space above this line for Recorders use)  
Pursuant to Gov. code Sec. 27383

Loan No. RDFTHB-2

**CITY OF RIO DELL HOUSING  
HOMEBUYER ASSISTANCE PROGRAM**

**DEED OF TRUST WITH ASSIGNMENT OF RENTS**

**NOTICE TO BORROWER:  
THIS DEED OF TRUST CONTAINS  
PROVISIONS RESTRICTING ASSUMPTIONS**

THIS DEED OF TRUST, made this 24<sup>th</sup> day of September 2003 among the Trustor(s) Steven L. Wolff and Sharon L. Wolff, husband wife (Individually and collectively "Borrowers"), and Fidelity National Title Insurance company ("Trustee"), and the Beneficiary, City of Rio Dell, whose address is set forth above (together with its successors in interest referred to herein as the "City").

BORROWER, in consideration of the indebtedness herein recited and the trust herein created, irrevocably grants and conveys to Trustee, in trust, with power of sale, all its right, title and interest in the property located in the City of Rio Dell, State of California, described in Exhibit "A" attached hereto and made a part hereof by reference;

TOGETHER with all the improvements now and hereafter erected on the Property, and all easements, rights, appurtenances, and all fixtures now or hereafter attached to the Property covered by this Deed of Trust; and all of the foregoing, together with said property are herein referred to as the "Property";

TO SECURE to City the repayment of the indebtedness evidenced by Borrowers Promissory Note dated September 24, 2003, (the "Note"), in the principal sum of Fourty thousand Dollars (\$ 40,000 ), with interest thereon; the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Deed of Trust; and the performance of the covenants and agreements of Borrower herein contained, and in a Loan Agreement ("Loan Agreement") between Borrower and City dated September 24, 2003

①

BORROWER AND CITY COVENANT AND AGREE AS FOLLOWS:

1. Borrower=s Estate. The Borrower lawfully owns the estate hereby conveyed and has the right to grant and convey the Property and Borrower will warrant and defend generally the title to the Property against all claims and demands, subject to any declarations, easements, or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring City=s interest in the Property.

2. Payment of Principal and Interest. Borrower will promptly pay when due the principal of and interest in the indebtedness evidenced by the Note and late charges as provided by the Note.

3. Application of Payments. Unless applicable law provides otherwise, all payments received by City under the Note and payments of Funds will be applied by City first in payment of taxes and assessments, then to interest payable on the Note, and then to the outstanding principal of the Note.

4. Junior Encumbrances. Any subsequent encumbrance of the Property shall be recorded and is hereby notified that upon exercise of any power of sale or foreclosure by encumbrancer, such encumbrancer will take title to the Property subject to the Deed of Trust, and more specifically, subject to paragraph 12 of this Deed of Trust prohibiting assumptions of the loan made by City to Borrower, except as specified in said paragraph.

5. Charges; Liens. Borrower will pay all taxes, assessments, payments, and other charges, fines and impositions attributable to the Property which may have or which may attain a priority over this Deed of Trust, at or prior to the time they are required to be paid, by Borrower making payment directly to the payee thereof. Borrower will promptly furnish to City receipts evidencing such payments. Borrower will promptly discharge any lien which has priority over this Deed of Trust; provided, that Borrower will not be required to discharge any such lien so long as Borrower will agree in writing to the payment of the obligation secured by lien in a manner acceptable to City, or will in good faith contest such lien by, or defend enforcement of such lien in, legal proceedings which operate to prevent the enforcement of the lien of forfeiture of the Property or any part thereof.

6. Hazard Insurance. Borrower will keep the improvement(s) now existing or hereafter erected on the Property insured in such amounts and for such periods as City may require, which amounts shall be the greater of (1) the outstanding principal balance of the Note plus the amount of any other loan(s) for or secured by the Property, (2) the amount, in City=s determination, necessary to prevent Borrower from becoming co-insurer, or (3) the amount of the replacement cost of the Property. Such insurance shall designate the City as additional insured.

The insurance carrier providing this insurance shall be licensed to do business in the State

of California and be chosen by Borrower subject to approval by City; provided, that such approval will not be unreasonably withheld.

All insurance policies and renewals thereof will be in a form acceptable to City and will include a standard mortgagee clause with standard mortgagee's endorsement in favor of and in a form acceptable to City. City will have the right to hold the policies and renewals thereof, and Borrower will promptly furnish to City all renewal notices and all receipts of paid premiums. In the event of loss, Borrower will give prompt notice to the insurance carrier and City. City may make proof of loss if not made promptly by Borrower.

Unless City and Borrower otherwise agree in writing, insurance proceeds will be applied to restoration or repair of the Property damaged, provided such restoration or repair is economically feasible and the security of this Deed of Trust is not thereby impaired. If such restoration or repair is not economically feasible or if the security of this Deed of Trust would be impaired, the insurance proceeds will be applied to the sums secured by this Deed of Trust, with the excess, if any, paid to Borrower. If the Property is abandoned by Borrower, or if Borrower fails to respond to City within thirty (30) days from the date notice is mailed by City to Borrower that the insurance carrier offers to settle a claim for insurance benefits, City is authorized to collect and apply the insurance proceeds at City's option either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless City or Borrower otherwise agree in writing, any such application of proceeds to principal will not extend or postpone the due date of the monthly installments referred to above or change the amount of such installments. If the Property is acquired by City, all right, title and interest of Borrower in and to any insurance policies and in and to the proceeds thereof resulting from damage to the Property prior to the sale or acquisition will pass to City to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.

7. Preservation and Maintenance of Property. Borrower will keep the Property in good repair and will not commit waste or permit impairment or deterioration of the Property.

8. Protection of City Security. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or stops the project, or if an event of default occurs under any encumbrance, lien, assessment, mortgage or Deed of Trust, which has or which attains priority over this Deed of Trust, or if any action proceeding is commenced which materially affects City's interest in the Property, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then City at City's option, upon notice to Borrower, may make such appearances, disburse such sums and take such action as is necessary to protect City's interest, including, but not limited to, disbursement of reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by City pursuant to this paragraph, with interest thereon, will

become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and City agree to other terms of payment, such amounts will be payable upon notice from City to Borrower requesting payment thereof, and will bear interest from the date of disbursement at the rate payable from time to time on out-standing principal under the Note unless payment of interest at such rate would be contrary to applicable law, in which event such amounts will bear interest at the highest rate permissible under applicable law. Nothing contained in this paragraph will require City to incur any expense or take any action hereunder.

9. Inspection. City may make or cause to be made reasonable entries upon and inspections of the Property, provided that City will give Borrower reasonable notice of inspection.

10. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Property, or part thereof, or for conveyance in lieu of condemnation, are hereby assigned and will be paid to City. In the event of a total taking of the Property, the proceeds will be applied to the sums secured by this Deed of Trust, with the excess, if any, paid to Borrower. In the event of a partial taking of the Property, unless Borrower and City otherwise agree in writing, there will be applied to the sums secured by this Deed of Trust such proportion of the proceeds as is equal to that proportion which the amount of sums secured by this Deed of Trust immediately prior to the date of taking bears to the fair market value of the Property immediately prior to the date of taking, with the balance of the proceeds paid to Borrower.

If the Property is abandoned by Borrower, or if, after notice by City to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to City within thirty (30) days after the date such notice is mailed, City is authorized to collect and apply the proceeds, at City=s option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless City and Borrower otherwise agree in writing, any such application of proceeds to principal will not extend or postpone the due date of any scheduled payment referred to above or change the amount of such payment.

11. Forbearance by City Not a Waiver. Any forbearance by City in exercising any right or remedy will not be a waiver of the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by City will not be a waiver of City=s rights to accelerate the maturity of the indebtedness secured by this Deed of Trust.

12. Loan Not Assumable. Transfer of Property Prohibited: Limited Exceptions. No transfer of the Property will be permitted, and no successor in interest to the Borrower(s) will be permitted to assume the Borrower=s loan incurred by this Deed of Trust unless the written consent of City to the transfer has been first obtained as provided in the Loan Agreement. No

such consent will be given by the City except in the following limited circumstances:

- a) The transfer results from the death of a Borrower and the transfer is to the surviving spouse of the Borrower and the surviving spouse is also a Borrower;
- b) A transfer by a Borrower to his or her spouse when the spouse becomes by such transfer a co-owner of the Property;
- c) A transfer of the Property resulting from a decree of dissolution of the marriage or legal separation or from a property settlement agreement incidental to such a decree which requires the Borrower to continue to make payments on the Note and by which a spouse who is already a Borrower becomes the sole owner of the Property;
- d) A transfer by a Borrower to an inter vivos trust in which the Borrower is the sole beneficiary;
- e) A transfer by means of encumbering the Property with a lien which is junior to the line securing the loan to Borrower evidenced by this Deed of Trust;
- f) An assumption by an eligible household pursuant to the Note and Loan Agreement.

13. Events of Default: Acceleration. Intention of Foreclosure. Any one or more of the following events shall constitute a default under this Deed of Trust: (a) failure of the Borrower to pay the indebtedness secured hereby or any installment thereof, whether principal, interest or otherwise, when and as the same becomes due and payable, whether at maturity or by acceleration or otherwise; or (b) failure of Borrower to observe or to perform any covenant, condition or agreement to be observed or performed by Borrower pursuant to this Deed of Trust, the Note or the Loan Agreement.

In the event of any default as set forth in this paragraph, City without demand on Borrower, may declare all sums hereby secured immediately due and payable by notice thereof to the Borrower or by executing and recording or by causing the Trustee to execute and record a Notice of Default and election to cause the Property to be sold to satisfy the obligations secured hereby or by the commencement of an appropriate action to foreclose this Deed of Trust or by any other appropriate manner.

14. Foreclosure Procedure. Whenever a Notice of Default and intent to sell is issued pursuant to Civil Code Section 2924 alleging that Borrower has defaulted in performing its obligations under the Note, this Deed of Trust, or the Loan Agreement, the City shall, upon

timely demand by Borrower, follow the notice and hearing procedures established in Section 7938, Title 25, California Administrative Code.

15. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust or afforded by law or equity, and may be exercised concurrently, independently or successively.

16. Successors and Assigns Bound. The covenants and agreements herein contained shall bind, and the rights hereunder shall insure to, the respective successors and assigns of City and Borrower subject to the provisions of this Deed of Trust.

17. Joint and Several Liability. All covenants and agreements of Borrower shall be joint and several.

18. Notice. Except for any notice required under applicable law to be given in another manner, (a) any notice to Borrower provided for in this Deed of Trust will be given by certified mail, addressed to Borrower at the Property address or such other address as Borrower may designate by notice to City as provided herein, and (b) any notice to City will be given by certified mail, return receipt requested, to City's address stated above, or to such other address as City may designate by notice to Borrower as provided above.

19. Governing Law. This Deed of Trust shall be governed by the laws of the State of California.

20. Severability. In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, such conflict will not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision, and to this end with provisions of the Deed of Trust and the Note are declared to be severable.

21. Captions. The captions and headings in this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions hereof.

22. Reconveyance. Upon payment of all sums secured by this Deed of Trust, City will request Trustee to reconvey the Property and will surrender this Deed of Trust and the Note evidencing the indebtedness secured by this Deed of Trust to Trustee. Trustee will reconvey the Property without warranty and without charge to the person or persons legally entitled thereto. Such person or persons will pay all costs of recordation, if any.

23. Substitute Trustee. City, at City's option, may from time to time remove Trustee and appoint a successor trustee to any Trustee hereunder. Without conveyance of the Property, the successor trustee will succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law.



24. Request for Notices. Borrower requests that copies of the Notice of Default and Notice of Sale be sent to Borrower=s address which is the Property.

25. Beneficiary Statement. The City may charge a fee of fifty dollars (\$50) for furnishing any statement required by California Civil Code Section 2943.

IN WITNESS WHEREOF, BORROWER HAS EXECUTED THIS DEED OF TRUST.

Steven L. Wolff  
Steven L. Wolff

Sharon L. Wolff  
Sharon L. Wolff

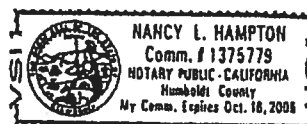
#### ACKNOWLEDGMENT

State of California )  
 )ss  
County of Humboldt )

On 9-25-, 2003, before me, Nancy L. Hampton, a notary public, personally appeared Steven L. and Sharon L. Wolff. [ ] personally known to me or ☒ proved to me on the basis of satisfactory evidence to be the persons whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity(ies) upon behalf of which the person(s) acted, executed the instrument.

WITNESS, my hand and official seal.

Nancy L. Hampton  
Notary Public



In and for said County and State

(x h. b. T 1

CITY OF RIO DELL CDBG FTHB HOUSING PROGRAM  
OWNER PARTICIPATION AGREEMENT  
CONTRACT FOR SELF-HELP COMPONENT OF PROPERTY REHABILITATION

CONTRACT NO. RD FTHB-2

By this Owner Participation Agreement entered into this 24th day of September, 2003, by and between the CITY OF RIO DELL and its service provider REDWOOD COMMUNITY ACTION AGENCY (hereinafter referred to as the Agency) and Steven and Sharon Wolff (hereinafter referred to as Owners) do mutually agree as follows:

WITNESSETH:

WHEREAS, the Owner holds title to a certain parcel of property located at #3 Painter Street Rio Dell, CA in the County of Humboldt, lying within an Area wherein the Agency has engaged in a program of First Time Home Buyer, Home Improvement.

WHEREAS, the Owner has received and read copies of the Description of Work to Be Performed and is in agreement, shall perform or have performed all work as set forth in the aforementioned Description of Work identified as Self-Help.

WHEREAS, an additional amount of \$14,000 will be loaned to the Owners shall be used for the sole purpose for which it was intended, that being to complete all work as described herein; the Owners further acknowledges and agrees labor performed by the Owner shall not be considered a fundable item under the Owner Participation Agreement.

1 a.) In accordance with the terms of this Agreement, the Owner shall furnish all personnel, labor, material, tools, transportation, services, licenses and permits necessary to perform or cause to have performed, all work as specified in the above mentioned Description of Work to Be Performed incorporated herein and attached to as Exhibit "A".

1 b.) All work to be performed hereunder shall be completed within 180 calendar days from the date of this Contract. If sufficient progress toward the completion of the work has not been made within 90 calendar days, the Agency has the right to terminate this Contract and negotiate with a Contractor of the Agency's choice, utilizing remaining funds.

2. No payment can be made for any work performed under this Agreement unless and until such work has been inspected by an authorized representative of the Agency and said representative certifies that the work has been satisfactorily completed.

3. The Owner shall give all notices required by and comply with all applicable laws, ordinances, and codes of the local government and shall secure and pay all said fees and charges for the performance of the work.

4. The Owner and/or their Contractors shall be responsible for all damages to persons or property that occur as a result of his fault or negligence in connection with the prosecution of the work and shall be responsible for the proper care and protection of all work performed until completion and final acceptance, whether or not the same has been covered in whole or in

part by payments made by the Agency.

5. The Owner shall exercise proper precaution at all times for the protection of persons and property and shall be responsible for all damages to persons or property, either on or off the site, which occur as a result of his prosecution of the work. The safety provisions of applicable laws and building and construction codes shall be observed and the Owner shall take or cause to be taken such additional safety and health measures as the Agency may determine to be reasonably necessary.

6. The Owner shall indemnify and save harmless the Agency and the City of Rio Dell from liability for any injury or damages to persons or property resulting from his prosecution of work under this Agreement.

7. This Agreement is composed of the following documents and being as fully a part of this Agreement as if herein repeated:

- a.) This Owner Participation Agreement dated this 24th day of September, 2003
- b.) Description of Work to Be Performed, Exhibit "A".
- c.) A signed sub-contract if a licensed contractor is to do any of the proposed work.
- d.) A schedule of work to be performed including identification of that work to be performed by a sub-contractor.

8. The Agency shall have the right to inspect the work at all times and at the completion thereof.

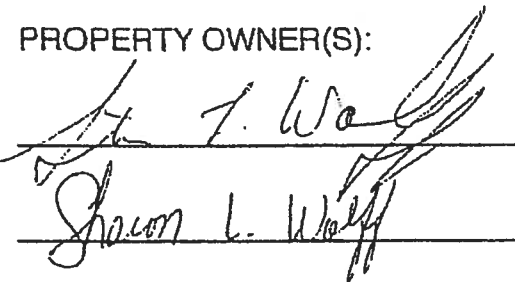
9. Certification of Non-Lead Base Paint

The undersigned hereby certifies all paints, primers, enamels and related painting material used in the rehabilitation work pertaining to this contract as dated above, contains no more than .06% lead by weight in the total non-volatile content on Liquid Paint as specified per the Federal, State, and Local requirements.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

PROPERTY OWNER(S):

DATE:

  
Sharon L. Wolff

9-25-03

9-25-03

THE CITY OF Rio Dell CDBG FTHB HOUSING REHABILITATION PROGRAM

10/00

Page 2 of 2

AR Self Help Contract

**RIO DELL FTHB HOUSING REHABILITATION PROGRAM  
WOLFF PROJECT  
#3 Painter St.  
616-6841  
Final Draft**

\*\*\*\*\*

## **EXTERIOR**

### **Gutters**

**Problem:** The roof is fairly new but there are no gutters or downspouts

**Solution:**

1. Install seamless gutters and down spouts.

## **DOORSWINDOWS**

**Problem:** There are two or three interior doors that have been damaged. All the windows are single pane AL

**Solution:**

1. Remove damaged doors and install new hollow core doors to match. Hardware to be Schlefdge.
2. Replace all the windows and the sliding glass door with double pane vinyl windows

## **SIDING**

**Problem:** The siding is AL but needs washing and the wood trim, fascia and soffits need painting.

**Solution:**

1. Power wash the AL siding and using lead safe practices prep and paint the trim, fascia and soffits

## **MECHANICAL SYSTEMS**

### **ELECTRICAL**

**Problem:** The house has a old main and ungrounded duplexes and a insufficient number of duplexes and a lack of remote switches in bdrms and stairs

**Solution:**

1. Rewire the house to current code. May use existing switch legs. To include a new meter/main.

## **HEATING**

**Problem:** The water heater is showing rust at the bottom and has no earthquake straps or drip pan. The wood stove has a strange flue arraignment which may be dangerous.

**Solution:**

1. Remove the existing water heater. Bid to install new 40 gal. Bid to install to code, including earthquake straps and a drip pan. To include cold water shut off valve, a new gas valve, flex hoses and PRV plumbed correctly. Inspect flue and reuse if possible. If necessary replace on a t/m add work order.
2. Inspect the wood heater flue for proper installation. Corrections if necessary to be done on a t/m add work order.

## **INTERIOR**

### **KITCHEN**

**Problem:** The cabinet are old, there are not enough of them and the countertop and sink should be replaced.

**Solution:**

1. Remove existing cabs and countertop.
2. Replumb as necessary to install deck mounted faucet.
3. Install 10 lin. ft. of lowers and uppers. To include a sink base and range hood cabinet. Cabinets to be Birch with no particle brd. face frames or doors.
4. Install new rolled laminate countertop with standard 4 inch back splash.
5. Install new stainless steel sink and deck mounted faucet. To include new above floor waste lines, shut off valves and risers.

### **BATHROOM**

**Problem:** The flooring is showing signs of rot by the tub and the tub and its three piece are stained and appear to be failing. The bath fan is old and load and not switched properly.

**Solution:**

1. Remove the tub, its surround and finished flooring.
2. Install new tub and three piece surround, new valve, shower curtain and rod
3. Over 1/4 inch cement brd. underlayment install new vinyl and base. Allot \$30 per sq yrd for the underlayment, the vinyl and four inch rubber base.
4. Paint the room to completion using good quality latex semi gloss enamel.

## **FLOOR COVERINGS**

**Problem:** The upstairs carpeting is old not laid properly and smells of cat urine.

**Solution:**

1. Remove all carpeting in these area, including the stairs and dispose of.
2. Floors should be thoroughly cleaned
3. Allot \$25 per sq yrd in your bid for the carpet and pad.

## **OTHER**

1. Clear section one items in termite report dated 7/22/03

**Total funds available \$16,750.**

Copy

## TRUTH IN LENDING DISCLOSURE

Creditor: City of Rio Dell  
FTHB Loan Program

Date: October 29,,2003  
Loan No: RD FTHB-2S

ANNUAL PERCENTAGE The maximum cost of your credit as a yearly rate.	FINANCE CHARGE The maximum dollar amount the credit will cost you each year.	AMOUNT FINANCED The amount of credit provided to you or on your behalf.
3.0%	\$1,620*	\$54,000

\*[Amount will accrue each year for 20 years, then interest stops on principal, and 10% of accrued interest is forgiven each year for 10 years, with all accrued interest forgiven by 360th month (30 years)]

Your payment schedule will be:

UNTIL THE FIRST MORTGAGE IS SATISFIED, NO PAYMENTS ARE REQUIRED ON THIS LOAN UNLESS YOU SELL, TRANSFER OR CONVEY PART OR ALL OF YOUR INTEREST IN THE PROPERTY OR YOU FAIL TO OCCUPY THE PROPERTY AS YOUR PRINCIPAL RESIDENCE OR BREACH ANY OTHER CONDITION OF YOUR AGREEMENTS WITH THE CITY OF RIO DELL.

OWNER OCCUPANCY: THIS LOAN WILL BE IMMEDIATELY DUE AND PAYABLE UNLESS YOU REMAIN THE OWNER OCCUPANT OF THE PROPERTY SECURING THE LOAN DURING THE TERM OF THE LOAN.

LATE CHARGE: If you fail to repay this loan when due, you will be charged interest at the rate of 10% per year until completion of repayment.

PREPAYMENT: If you pay off early, you will not have to pay a penalty. Prepayment of this loan may not be of benefit to you.

SECURITY: You are giving a security interest in the property at

#3 Painter Street, Rio Dell CA 95562

INSURANCE: You may obtain property insurance from anyone who is acceptable to the City of Rio Dell.

ASSUMPTION: Someone buying your home may assume the remainder of the mortgage on the original terms if the buyer (1) is eligible under State Law, (2) is approved by the City of Rio Dell prior to sale of the property and (3) agrees to enter into a new Loan Agreement with the City of Rio Dell.

See your contract documents for any additional information about non-payment, default, any required repayment in full before the scheduled date, **loan forgiveness** and any prepayment charges.

ACKNOWLEDGEMENT: I (we) acknowledge receipt of this disclosure.

Steven L. Wolff 10-31-03  
Steven L. Wolff

Date

Sharon L. Wolff 10-29-03  
Sharon L. Wolff

Date

amount del.

RECORDED BY AND FOR  
THE BENEFIT OF  
CITY OF RIO DELL

2003-43313-4  
Recorded — Official Records  
Humboldt County, California  
Carolyn Crnich, Recorder  
Recorded by CITY OF RIO DELL  
Exempt from payment of fees  
Clerk: MM Total: 0.00  
Nov 4, 2003 at 10:29

When recorded, mail to  
City of Rio Dell  
675 Wildwood Avenue  
Rio Dell, CA. 95562  
No fee for recording pursuant to Government Code Section 27383

AP # 052-231-012

Space above this line for Recorder's Use

DATE OF DOCUMENT October 29, 2003

# NOTICE of ADVANCE UNDER DEED of TRUST

WHEREAS, Steven L. Wolff and Sharon L. Wolff, husband and wife  
as Trustor(s), by a certain Deed of Trust dated September 24, 2003 and recorded September 30, 2003 in the office of the County Recorder of the County of Humboldt, State of California, in Book \_\_\_\_\_ of Official Records, page na Recorder's File No. 2003-38138-8, granted and conveyed the real property therein described to Fidelity National Title Insurance Co. of California as Trustee, to secure the payment of a certain promissory note of even date therewith for \$ Forty thousand Dollars, in favor of the CITY OF RIO DELL, Beneficiary, and

WHEREAS, the Deed of Trust hereinabove referred to provides that the same is also given as security for the payment of such additional sum or sums as may be hereafter loaned by said Beneficiary to and evidenced by the note or notes of said Trustor(s), and

WHEREAS, said Beneficiary has this day advanced to said Trustor(s) the sum of \$ 14,000 and the said Trustor(s) has/have executed a promissory note for said sum in favor of said Beneficiary, which note is intended to be secured under the terms of the Deed of Trust hereinabove referred to.

5/01

RD Notice of Advance



NOW THEREFORE, the undersigned, Trustor(s) in said Deed of Trust mentioned, hereby acknowledge the receipt of said sum of \$ 14,000 and hereby certify that the said promissory note is given to evidence an advance as provided by the said Deed of Trust.

The real property affected by this notice is situated in the City of Rio Dell, County of Humboldt, State of California, for a particular description of which reference is hereby made to said Deed of Trust and the record thereof, all of which are hereby referred to and made a part hereof.

Steven L. Wolff  
Steven L. Wolff

Sharon L. Wolff  
Sharon L. Wolff

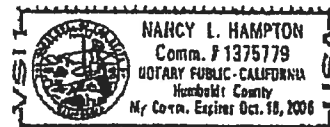
#### ACKNOWLEDGEMENT

State of California )  
County of Humboldt ) ss.  
On 10-29-03 before me, Nancy L. Hampton a Notary Public, personally  
appeared

Sharon L. Wolff personally  
known to me OR proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed  
to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized  
capacities, and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the  
person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Nancy L. Hampton



5/01

RD Notice of Advance

2003-43313-4

City Of Rio Dell Sep 20 06 01:57p

p.3

7077645480#

# ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Humboldt } ss.

On 10-31-03 before me, Nancy L. Hampton, Notary Public  
 personally appeared Steven L. Wolfe (SIGNER)

- ☒ personally known to me - OR - ☐ proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signatures(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Nancy L. Hampton  
NOTARY'S SIGNATURE

## OPTIONAL INFORMATION

The information below is not required by law. However, it could prevent fraudulent attachment of this acknowledgment to an unauthorized document.

### CAPACITY CLAIMED BY SIGNER (PRINCIPAL)

- ☐ INDIVIDUAL  
☐ CORPORATE OFFICER

TITLES:

- ☒ PARTNER(S)  
☐ ATTORNEY-IN-FACT  
☐ TRUSTEE(S)  
☐ GUARDIAN/CONSERVATOR  
☐ OTHER: \_\_\_\_\_

### DESCRIPTION OF ATTACHED DOCUMENT

Notice of Advance Under Deed of Trust  
 TITLE OR TYPE OF DOCUMENT

2  
 NUMBER OF PAGES

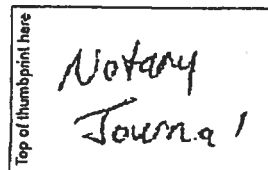
10-29-03  
 DATE OF DOCUMENT

OTHER \_\_\_\_\_

SIGNER IS REPRESENTING:  
 NAME OF PERSON(S) OR ENTITY(ES)

Self

RIGHT THUMBPRINT  
 OF  
 SIGNER



## EXHIBIT "ONE"

That real property situate in the State of California, County of Humboldt, City of Rio Dell, described as follows:

Lot 5 of Tract No. 20 (Midrio Subdivision) according to the Map thereof filed in the Recorder's Office of Humboldt County, California, on June 4, 1962, in Book 14 of Maps, Page 19

EXCEPTING THEREFROM that portion deeded to the State of California, by Grant Deed recorded April 16, 1969, in Book 999, Page 265, Humboldt County Official Records. Said portion has since been relinquished to the City of Rio Dell, by deed recorded October 27, 1976, in Book 1374, page 76, Humboldt County Official Records.

Assessor's Parcel No: 052-231-012-000

COPY

su or

## GENERAL RELEASE OF ALL CLAIMS

The parties hereto are Steven Wolff and Sharon Wolff (individually and collectively "Wolff" or "Releasor") and the City of Rio Dell ("City"), the California Department of Housing and Community Development, the United States Department of Housing and Urban Development, and all the various entities' agents, officers, employees, successors and assigns (individually and collectively "Releasee" or "Agencies"). The parties hereto in consideration of the promises made herein, agree as follows:

1. Releasor has made various claims arising out of the management and administration of City's First Time Homebuyer Program.
2. City agrees to provide a grant of up to \$50,000.00 (Fifty Thousand Dollars) to achieve the following Scope of Work on the Wolff residence at 3 Painter Street, Rio Dell, California:
  - a. Lead-based paint clearance
  - b. Cover existing exterior siding with radiata pine hardwood pre-primed V-groove shiplap siding
  - c. Replace doors (metal/insulated/pre-hung) and windows (Milgaard or equivalent)
  - d. Clear structural report
  - e. Clear Section 1 items of termite report
  - f. Replace existing floor coverings (allowance of \$35/sq. ft. installed)
  - g. Repair roof and install vents as needed
  - h. Install sump pump with surface drain line to back of property
  - i. Finish/repair waste vent in back of property
  - j. Install forced air heating system
3. Included in the grant funds are relocation costs of up to 30 days, the costs of a Project Manager, and all required permits (per Humboldt County building inspectors).
4. Within 45 days of signing this Agreement, the Wolffs shall provide bids from at least two licensed general contractors covering the Scope of Work items. The City shall have final approval of the contractor. Each bid shall have a completion date. Agencies make no representation or warranty concerning the quality of Contractor's work.
5. The Project Manager shall act as neutral liason and facilitator and shall advise the parties regarding any disputes that may arise during the course of construction. The parties shall agree on the person to act as Project Manager. Each progress payment shall be signed off by the City, the Project Manager, both Wolffs, and the Contractor.
6. The parties agree that due to the time lapse in receiving funds after submitting a progress payment request, the City may advance its own funds to be immediately repaid upon receipt of the progress payment.

SW  
SW

7. Releasor, in consideration of the Agencies' agreement herein and commitment to fund up to \$50,000 in grant funds, hereby fully releases Releasee, all City, State and Federal Agencies, and all other public entities and persons in association with Releasee or Agencies, known or unknown, from all claims and causes of action in any way related to or arising out of the City's administration of the First Time Homebuyer Program.

8. Releasor acknowledges and agrees that this Release applies to all claims that they may have against Releasee and Agencies arising out of the above-described matter for damages or losses whether those damages or losses are known or unknown, foreseen or unforeseen, patent or latent.

9. Releasor certifies that they have read Section 1542 of the Civil Code, set out below;

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

10. Releasor hereby waives application of Section 1542 of the Civil Code.

11. Releasor understands and acknowledges that the significance and consequence of this waiver of Section 1542 of the Civil Code is that even if Releasor should eventually suffer or discover additional damages or claims arising out or relating in any way to the above-described circumstances or transaction Releasor will not be permitted to make any claim for those damages. Furthermore Releasor acknowledges that they intend these consequences even as to claims that may exist as of the date of this release, but which Releasor does not know exist, which if known, would materially affect Releasor's decision to execute this release, regardless of whether Releasor's lack of knowledge is the result of ignorance, oversight, error, neglect or negligence, or any other cause.

12. Releasor warrants and represents that Releasor fully understands the terms of this Release.

13. Releasor acknowledges and represents that in executing this Release, Releasor has not relied on any inducements, promises or representations made by any party.

14. Releasor acknowledges and warrants that this Release is free and voluntary.

15. This Release pertains to a disputed claim and does not constitute an admission of liability by Releasee or Agencies regarding the above-described transaction.

16. This Release is not binding until signed by all parties hereto. The City Council of Rio Dell must approve this Release in order for the City Manager to sign.

17. This shall be construed according to the laws of the State of California. Ambiguities shall not be construed against any drafter.

*JW*

18. In the event of any disagreement arising out of or relating to this agreement, the parties agree to mediate their disagreement with Betsy Watson as mediator.

Dated: 10-5-04

City of Rio Dell

*Eli Naffah*  
By: Eli Naffah, City Manager

Dated: \_\_\_\_\_

All State and Federal Entities

By: Lisa Vergolini, CDBG  
Program Section Chief

Dated: 9-17-04

*Steve Wolff*  
Steve Wolff

Dated: 9-17-04

*Sharon Wolff*  
Sharon Wolff

December 2, 2013

City of Rio Dell

Kevin Caldwell, Community Development Director

675 Wildwood Ave.

Rio Dell, CA 95562

Dear Mr. Caldwell:

Re. 3 Painter St. Rio Dell CA 95562

The First Time Homebuyers Program funding that was to be used for the purchase and rehabilitation of our residence at 3 Painter St. Rio Dell is a wholly worthless debt (26 USC §166) that needs to be cleared off of the books for both the benefit of the city and ourselves.

I have reviewed the entirety of the city file on our home as well as our own copies of the records and it is clear that the debt is and has been legally unenforceable and is thereby wholly worthless due to the lack of required loan documents signed at or prior to the original loan closing date of 9/19/03. There were no loan agreements or Truth in Lending statements provided, as required by Federal Code §226.31(c)(1), at that time. Some of the loan documents were produced after the fact and signed on 9/24/03 which did not allow the required three business days prior to consummation of the mortgage debt specified in the referenced code. While additional documents, such as a Truth in Lending Disclosure statement for \$54,000, was not created and signed until 10/31/03 under extreme duress and threat of foreclosure. Other documents, required by the CDBG program, simply don't exist because they were never done by the city's contracted representatives at Redwood Community Action Agency (RCAA).

It is clear from the documentation spanning the years that we have contested the legitimacy of the loan on numerous occasions in letters to the city that were forwarded to then City Attorney David Martinek who never disputed or responded to any of the points. The home purchased in Rio Dell was to be our "American Dream" and it almost immediately dissolved into a nightmare that is well documented in the city file, the Grand Jury investigation and the Housing and Community Development investigation which we don't wish to relive in this matter. The administration of the rehabilitation project by RCAA, with the full knowledge and culpability of the city and the loan committee, has resulted in a home that is still incomplete a decade later with no possibility of completion in the future unless and until the wholly worthless debt is cleared off the books so that we can finance the additional work. There is no required Certificate of Completion for this project and there never will be as things currently stand. The recent appraisal of the home that was done at the request of the city provides verification of the incomplete

**CITY OF RIO DELL**

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construction, the rafters that were broken by the city's contractor, etc. which leaves us with a home that has virtually no resale value over that of the land alone.

The City of Rio Dell has had this wholly worthless debt on its books for years now and we have been contacted by the auditors over the years seeking to verify the loan and clean up the books. We have never confirmed the validity of the debt as it is not enforceable and so it remains on the books for the city. The debt can be written-off as a wholly worthless debt as per the IRS which would provide some tax benefits while clearing the books for the city. There are very specific tax benefits to providing the required **1099-C Cancellation of Debt form within 2013** so it is imperative that this matter finally be resolved before the end of the year. The need to litigate this would only cause an increase in expense for the city and the required documentation needed by the city to claim the debt was complete and legally binding simply does not exist until well after the closing date, if at all. Additionally, we were told in no uncertain terms that the loan would be forgiven after 10 years in its entirety, provided we lived in the home as our primary residence and fulfilled our end of the deal which we have done. Larry Miller of RCAA was very clear about what a great deal this was and that was the understanding we were under at the time of our closing on 9/19/03.

We ask for the city to finally bring the painful episode of our home purchase/rehabilitation to a mutually beneficial resolution and provide the 1099-C form before the end of this year. If this can be completed in time, we would be happy to sign a confidentiality agreement with the city if desired. We have spoken to other homeowners that bought their homes under the same program administered by RCAA and it is very likely that there are numerous problems with their documentation as well. We only want a final resolution to this matter so that we will be able to finance a new roof and complete the interior of the home in our future.

Thank you,



Steven Wolff



Sharon Wolff

3 Painter St.

Rio Dell, CA 95562